

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3539-05
BILL NO.: Perfected HS for HB 2011
SUBJECT: Taxation and Revenue - Property: Political Subdivisions
TYPE: Original
DATE: April 27, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$0 to Unknown)	(Unknown)	(Unknown)
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$0 to Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(\$0 to unknown)	(\$3,250,000 to unknown)	(\$3,250,000 to unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Auditor's Office** stated that they could carry out duties outlined in this proposal without additional resources (except for referring cases to the Attorney General, they are already carrying out those duties). Officials from the **Office of the Attorney General** noted that the effect on their agency would depend upon how many cases were referred for injunctive relief. They do not expect enough new cases to require additional to require additional personnel; however, they noted that there could be additional costs for reimbursing taxing authorities' court costs and attorney's fees. These costs would depend upon the number of injunctions not granted by courts and are, therefore, not subject to estimation.

Department of Elementary and Secondary Education officials noted, in a response to a similar proposal, that the proposal would decrease tax rates, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) "on the formula" districts would recoup their losses through state payments, and 2) "hold harmless" districts would not recover losses through additional payments through the Foundation Formula.

Officials of the **State Tax Commission** note that each penny of property tax brings in about \$6,500,000. They also note that the amount of current "rounds up" and "not roll backs" vary from subdivision to subdivision. They also noted that provisions allowing the Auditor and Attorney General could also cause reductions in tax rates which are currently above tax rate ceilings, which would reduce taxes paid.

The **Cole County Assessor** stated that the negative effect on political subdivisions in his county could range from \$800 to \$80,000.

Oversight notes that losses statewide could range from \$65,000 to \$6,500,000 just for provisions affecting rounding, but assumes that the average loss would be one-half cent. There would be additional effects from adjustment in rates due to injunctive relief or the threat of same.

Officials of the State Tax Commission stated that provisions of this proposal which would affect refunds of property taxes paid in error would not have administrative impact on that agency.

They also noted that there would be relatively few claims for refunds under terms of this proposal; however, one large claim for refund could have a significant impact upon the political subdivisions affected since they probably would already have spent the taxes paid in error.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Cost - Department of Elementary and
 Secondary Education

Increased transfers to State School Moneys Fund	\$0	(Unknown)	(Unknown)
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Cost - Attorney General

Court costs and attorney's fees	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$0 TO UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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STATE SCHOOL MONEYS FUND

<u>Income</u> - Increased transfers from General Revenue Fund	\$0	Unknown	Unknown
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<u>Cost</u> - Increased distributions to school districts	\$0	(Unknown)	(Unknown)
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ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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POLITICAL SUBDIVISIONS

<u>Income</u> - Increased distribution from State School Moneys Fund	\$0	unknown	unknown
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<u>Cost</u> - Decreased property tax collections	\$0	(\$3,250,000 to unknown)	(\$3,250,000 to unknown)
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<u>Cost</u> - Additional Credits and Refunds	(\$0 to unknown)	(\$0 to unknown)	(\$0 to unknown)
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NET EFFECT ON POLITICAL SUBDIVISIONS	<u>(\$0 to Unknown)</u>	<u>(\$3,250,000 to Unknown)</u>	<u>(\$3,250,000 to Unknown)</u>
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FISCAL IMPACT - Small Business

Small businesses which pay property taxes would be affected by of this proposal.

DESCRIPTION

This proposal would require property taxing authorities to express tax rates in fractions equal to the nearest one/one hundredth of a cent. Authorities would round up a fraction equal to or greater

DESCRIPTION (continued)

than five/one thousandth of a cent to the next higher one/one hundredth of a cent.

The proposal would require the State Auditor to review proposed tax rates of taxing authorities within 15 days of receiving documentation of those rates. If the Auditor believed a rate submitted did not comply with state law, the Auditor would submit a recalculated rate to the taxing authority. The authority would have fifteen days to accept or deny the Auditor's recalculated rate. If the taxing authority rejected the Auditor's recalculated rate and did not submit documentation supporting the rejection, the Auditor could refer the perceived violation to the Attorney General. The Attorney General could obtain an injunction against the taxing authority preventing the authority from levying the rate the Auditor found to be in violation of state law. The Attorney General would pay the court costs and attorney's fees of taxing authorities in cases where a court refused to grant injunctive relief.

This proposal would also extend the time for claiming property taxes paid in error from one year to three years. Collectors of revenue would grant credits against taxes due to taxpayers having tax liability and would refund amounts erroneously paid to taxpayers having no tax liability. Collectors would credit or pay interest on the amounts paid in error at the rate required in section 32.065, RSMo.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Tax Commission
Cole County Assessor
State Auditor
Attorney General



Jeanne Jarrett, CPA
Director
April 27, 2000